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A RESOLUTION outlining Seattle City Light’s strategy for meeting the goal of zero net greenhouse gas emissions and establishing specific greenhouse gas mitigation targets and timelines.

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Text

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A RESOLUTION outlining Seattle City Light’s strategy for meeting the goal of zero net greenhouse gas emissions and establishing specific greenhouse gas mitigation targets and timelines.

WHEREAS, global warming represents a clear and increasingly imminent danger to the economic and environmental health of the world, and to specific qualities of life for the Seattle area including water supply, hydroelectric energy production, air quality, forest health, species protection and recreational activities; and

WHEREAS, local action to reduce greenhouse gas [GHG] emissions is consistent with Seattle’s environmental commitments and its other high priority policy objectives, including competitive energy costs and promoting energy security; reducing traffic congestion; improving local air quality; salmon recovery; restoring urban forests; and improving the efficiency productivity of both public and private institutions; and

WHEREAS, energy production and consumption accounts for the vast majority of human-caused GHG emissions, and Seattle has an extraordinary opportunity to control its own electric energy future by virtue of its ownership of Seattle City Light; and

WHEREAS, Council Resolution 30144 establishes a goal of meeting the electric energy needs of Seattle with no net GHG emissions; and

WHEREAS, the Executive convened a Greenhouse Gas Advisory Committee to recommend to the Superintendent of City Light how to best meet that goal; and

WHEREAS, City Light has a unique opportunity to achieve no net GHG emissions because it has a wealth of clean hydro-electric resources including power from the Skagit River, Boundary and other dams and because City Light's innovative new contract with the Bonneville Power Administration specifies that Seattle will receive a majority of its federal power allocation from specific hydro-electric and non-fossil fuel generation resources; and

WHEREAS, City Light has made an outstanding commitment to additional energy efficiency investments and new renewable resources that are estimated to prevent an increase in GHG emissions associated with both immediate and long-term load growth over the next ten years; and

WHEREAS, to meet the no net GHG emissions goal, City Light focuses its mitigation efforts on the estimated GHG emissions associated with its resource portfolio; and

WHEREAS, the GHG emissions attributable to a utility that is mostly dependent upon hydroelectricity yet interconnected and interdependent with an enormous electricity grid is difficult to assess with precision; and

WHEREAS, not withstanding this uncertainty, City Light, in consultation with the Advisory Committee comprised of experts from academic institutions, state and regional agencies, private business, City Light customers, and public interest organizations reached consensus on a method for calculating City Light's current and likely future GHG emissions and a process for mitigating those emissions; and

WHEREAS, GHG emission offsets of sufficient quantity and quality are currently available to compensate for GHG emissions attributable to City Light at a modest cost; and

WHEREAS, City Light is currently gaining valuable experience in the market for GHG offsets as it selects and contracts with projects to mitigate for its power purchase from the Klamath Cogeneration Facility; and

WHEREAS, early action to mitigate GHG emissions takes advantage of relatively inexpensive mitigation options that may not be available in the future;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

1. Seattle City Light will continue to reduce its GHG emissions as quickly and aggressively as possible through energy efficiency and renewable energy resource investments. As a matter of policy,

reducing or avoiding the environmental impacts of energy production and use through efficiency and the development of new renewables is preferable to mitigating or offsetting those impacts. Investments in efficiency and renewables will be counted toward meeting the estimated mitigation obligation only if they reduce the amount of fossil fuel resources in City Light's portfolio.

2. City Light will expeditiously execute commitments to mitigate for all of the GHG emissions attributable to it, according to the following terms:

a. The initial "GHG footprint" for City Light is estimated to mitigate for 150 average MW of fossil fuel resources. The output of these resources is converted to carbon dioxide equivalents for mitigation purposes.

i. The GHG emissions associated with the power purchase from the Klamath Cogeneration project are estimated to be 247, 752 metric tons of CO2 annually from July 1, 2001 through June 30, 2005.

ii. The GHG emissions associated with market purchases, power purchased from the Bonneville Power Administration (BPA), the related upstream emissions for BPA and market purchases, and internal operations are estimated to be 362,976 metric tons of CO2 annually from 2003 through 2005.

iii. Any additional GHG emissions from longer term new power contract/purchases included in City Light's resource portfolio.

b. Because of the uncertainty of estimating GHG emissions associated with market purchases, City Light will track and evaluate these emissions and report back to Council in August of each year on these emissions. If the amount of emissions is significantly greater than initially estimated, then City Light will add the additional GHG emissions associated with this increase to its mitigation obligation during that year.

c. City Light will immediately pursue the possibility of acquiring third party certification of its no net greenhouse gas "footprint" and offset purchases and will report back to this committee by September 15, 2001.

d. By August, 2002, City Light will develop an internal protocol for managing and minimizing leakage of Sulfur Hexafluoride (SF6) and will report to Council the estimated leakage of SF6 from City Light operations and present a plan to prevent and reduce such leaks in the future.

3. City Light will purchase offsets for GHG mitigation as close in time as the occurrence of actual emissions according to the following timeline:

a. City Light will double the quantity of CO2 offsets it purchases in 2002 from the 2001 Request for Proposals provided it can purchase that amount of credible, verifiable, sound offsets within the budget allocated for this solicitation. These offset purchases will mitigate for the first two years worth of emissions

associated the Klamath Cogeneration facility which are estimated to be 495,504 metric tons.

b. In 2002, City Light will solicit proposals to come into full mitigation compliance for its 2003 annual "footprint" of emissions which is estimated to be 610,728 metric tons of CO2 per year (2.a.i and 2.a.ii). Any additional emissions identified (2.a.iii and 2.b) will be added to this estimated total. It will execute commitments for these offsets in 2003.

c. In 2003, and each subsequent year, the process outlined above will be repeated.

d. City Light may issue solicitations for offsets to cover more than one year's emissions, provided that at the end of each year beginning in 2003, it has executed commitments sufficient to offset all of that year's emissions.

e. In 2004, City Light will reassess its GHG footprint for 2006 and beyond, and revise mitigation obligations accordingly. It will ensure sufficient time to solicit offsets in 2005 so necessary offset purchases can be made in 2006 to meet the revised mitigation obligation. A similar advisory group will be assembled to help evaluate and recommend proposals for the revised mitigation obligation.

4. Budget estimates and guidelines for purchasing GHG emission offsets are as follows:

a. City Light estimates that $5 per metric ton of CO2 is sufficient to cover the cost of offset purchases in each of the next few years. This range should allow for purchasing at least some offset projects within the City or region which are expected to be at higher cost per ton yet still allow the total average to equal $5/ton. For calendar years 2003 through 2005, City Light expects to mitigate 610,728 tons per year for an annual cost of approximately $3 million per year. Expenditures for GHG emissions offsets shall be made from within Seattle City Light's existing budget until one or more of the Power Cost Adjustments passed in 2001 have been retired.

b. City Light will continue to follow the criteria established by The Climate Trust in its joint Request for Proposal with The Trust that was issued in January 2001 (Attachment A) with the following modifications:

i. City Light will aggressively solicit and give priority to localprojects as long as they allow the total average cost to remain within $5/ton and preserves enough funds to meet the full mitigation obligation for that year.

ii. City Light will favor projects that deliver actual mitigation as close to the period in which the emissions occur as practicable.

Adopted by the City Council the _____ day of _____, 2001, and signed by me in open session in authentication of its adoption this _____ day of _____, 2001.

_____
President of the City Council

THE MAYOR CONCURRING:

_____
Paul Schell, Mayor

Filed by me this _____ day of _____, 2001.

_____
City Clerk

7/23/01
version 3

Attachment A

Criteria for the Request for Proposals (RFP)

The City of Seattle and The Climate Trust (The Requesters) are seeking offsets that meet the description of needs provided below. Most of these needs descriptions are common to both The Trust and Seattle. Common needs are either identified as pertaining to "The Requesters," or refer to no specified organization. Needs specific to The Trust are identified by naming "The Trust," and needs specific to Seattle are identified by naming "Seattle" and are shown in italics.

Total amount of project funding: The Trust has a need for contracting for a minimum of $5,500,000 in offsets. Seattle has set a target of acquiring 247,000 metric tons of CO2 equivalent.

Number of projects: The Trust anticipates acquiring from 3 to 10 projects. Seattle anticipates acquiring from 1 to 4 projects.

Size of projects: The Requesters are seeking projects for which their funding level would be $250,000 or greater. Proposals for less than this amount may or may not be considered, at the discretion of The Requesters. The largest project The Trust will consider would involve $2 million of funding from The Trust. The largest project Seattle will consider would involve all 247,000 metric tons.

Type of greenhouse gas: As required by Oregon statute, The Trust will consider only offsets that directly avoid, displace, or sequester emissions of carbon dioxide (CO2). The Trust will not consider emissions reductions of other greenhouse gases for purposes of quantifying emissions reductions, but rather may consider these when evaluating co-benefits. Seattle will consider offsets that directly avoid, displace, or permanently sequester emissions of any greenhouse gas addressed by the Kyoto Protocol, and is not restricted to acquiring carbon dioxide offsets as is The Trust.

Quantifiability of offsets: The Requesters will consider only projects that directly avoid, displace, or sequester the appropriate greenhouse gas (See "Type of greenhouse gas"), and where the amount of Carbon Dioxide Emissions Benefit can be

quantified, taking into consideration any proposed measurement, monitoring, and evaluation of mitigation measure performance. A Carbon Dioxide Emissions Benefit is quantifiable if the total amount of the reduction can be determined, and the reduction is calculated in a reliable and replicable manner

Timing of project implementation: The Requesters will consider only projects where mitigation measures will be implemented in the future, subsequent to contract execution. The Requesters will not consider projects where mitigation measures have been implemented prior to contract execution. The Requesters will require that the implementation of mitigation measures proposed by a project be planned for completion within five years from the date of contract execution.

Additionality requirement: The Requesters will only fund projects where mitigation measures would not occur in absence of offset project funding. Projects for which the applicant or other party derives benefits, including financial benefits, other than those relating to carbon dioxide benefits, are eligible.

Regulatory surplus: The Requesters will consider only projects where the Carbon Dioxide Emissions Benefit is over and above what is required by law. An emission reduction is surplus if it is not otherwise required of a source by current regulations or other obligations.

Types of projects: The Requesters will consider offsets based on renewable energy, energy efficiency, supply side energy (such as fuel switching), and CO2 sequestration. Sequestration projects include forest preservation, reforestation, afforestation, and forest management. Agricultural projects which increase soil carbon are eligible, but The Requesters will especially scrutinize how these projects address quantifiability and permanence.

Portfolio diversity: The Requesters consider it important to acquire a portfolio of diverse project types. Projects which help meet this portfolio diversity objective may receive special consideration.

Eligible proposers: The Requesters will accept proposals from non-profit and for-profit corporations, government agencies, national laboratories, individuals, and combinations of the these parties.

Permanence: The Trust prefers projects that permanently avoid or displace emissions of carbon dioxide, such as energy-related projects, over projects that temporarily sequester carbon. Seattle requires projects that permanently avoid, displace, or sequester emissions of carbon dioxide and other greenhouse gases.

Guarantees: The Requesters prefer projects that provide guarantees, especially carbon benefit guarantees. Guarantees are especially important for sequestration projects, and would provide important support for any project proposal. Carbon Dioxide Emissions Benefit guarantees must meet an additionality test, and are preferred over money back guarantees. The Requesters would consider the use of a pay-for-performance approach, where The Requesters pay a fixed

amount per ton of CO2 delivered over a specified period of time, as a form of guarantee.

Portfolio price range: The Requesters plan to use cost effectiveness as the primary selection factor for offsets, while achieving a balance between the desire to acquire the least expensive reasonably assured offsets available with the desire to acquire a diverse portfolio of projects. The Trust is currently in negotiations for an offset portfolio with an average price of approximately $1.50/metric ton of CO2 with funding provided by a prior Oregon power plant. The Trust received funding for this current solicitation on the basis of a $0.68/metric ton of CO2 cost figure (2000 dollars). The Trust is unlikely to acquire individual offset projects that have a price exceeding $10/metric ton of CO2. Seattle would fund its offsets from utility revenues, and does not receive funding at $0.68/metric ton as does The Trust.

Replicability and expandability: The Requesters may consider the ability to replicate a project in other locations with economies of scale or to expand a project at the original site to be beneficial in project evaluation.

Geographic limitations and preferences: The Trust is open to considering offsets in Oregon, the United States, or internationally. It is important that The Trust acquire some offsets in Oregon. The Trust will give some preference to projects located in Oregon, and is more likely to consider projects with funding levels of less than $250,000 if they are located in Oregon. Seattle is open to considering offsets located either in the United States or internationally. Seattle anticipates establishing the following geographic order of preference: Seattle, the greater Puget Sound region, and Washington state. Seattle will give some preference to projects located in these geographic areas. International projects have the same requirements as for The Trust. Both Requesters require an international project to have both a strong U. S. partner and a strong international partner in the host country. The U. S. partner must co-sign the proposal and any offset contract. Host country approval for international projects is strongly encouraged.

Leverage of The Requesters' funding: The Requesters will evaluate the cost effectiveness of proposed projects on the basis of the cost to The Requesters per metric ton of Carbon Dioxide Emissions Benefit. Projects for which The Requesters provide partial funding, and/or that employ financial leverage, such as revolving loan pools and loan guarantees, are encouraged to apply.

Co-benefits: The Requesters prefer projects with environmental, health, and socioeconomic co-benefits, and will request information on co-benefits from proposers. Special consideration may be given to projects with excellent co-benefits.

Retirement of credits: The Requesters plan to "retire" the offsets they acquires, holding them in perpetuity for the benefit of the citizens of Oregon and Seattle, respectively. The Requesters may use these credits in any manner allowed under any future greenhouse gas regulatory system that may be put into place. The proposer

will not be eligible to receive allocation or credit in the future in another regulatory setting for the offsets acquired by The Requesters. The Requesters will not consider offsets that have already been allocated or awarded credit for carbon dioxide or greenhouse gas emissions benefits in another regulatory setting.

Assignment and sale: While the primary goal is to "retire" credits, The Requesters reserve the right to assign or sell Carbon Dioxide Emissions Benefits acquired as a result of this request for proposals. The Trust has received a number of requests from business, government, and non-profit organizations to provide offsets under our Greenhouse Gas Partnership Program. These request are incremental to the needs described in this solicitation. The Trust may seek to satisfy these requests by acquiring incremental offsets from the proposals submitted in response to this solicitation.

Quantification of the Carbon Dioxide Emissions Benefit

Proposals must address the following considerations when quantifying the Carbon Dioxide Emissions Benefit and when planning for monitoring and verification. For Seattle, emissions benefits resulting from mitigation of other greenhouse gases are to be converted into the Carbon Dioxide Emissions Benefit as described under "Units of measurement" below.

Additionality: Proposals must demonstrate that the mitigation measures installed by the project would not occur in absence of offset project funding. Projects which do not meet this requirement will be deemed to have no Carbon Dioxide Emissions Benefit and will not be evaluated.

Baselines: Proposals must describe a Without Project Baseline and a Project Case and describe the assumptions and methodologies used to quantify each. The difference between the two is the project’s Carbon Dioxide Emissions Benefit. Proposals must use dynamic baselines when establishing the Without Project Baseline, to the extent that changes from business as usual are anticipated to occur during the project life. The Requesters will review the proposed Without Project Baseline and the Project Case, and may use its judgment to modify them for the purposes of evaluating projects.

Leakage: Leakage is the extent to which events occurring outside of the project boundary tend to reduce (typically) a project’s Carbon Dioxide Emissions Benefit. Proposals must describe how carbon dioxide benefit leakage is addressed by the project, both in terms of project activities to minimize leakage and in terms of adjustments to the project’s carbon dioxide benefit calculations to reflect leakage. Proposals can propose to include emissions reduction from positive leakage, but The Requesters will require a strong justification for such reduction. The Requesters will review and may use their own leakage factors when evaluating projects.

Range of uncertainty: Proposals must describe important risks and risk mitigation strategies, and provide an estimate of the range of uncertainty around the expected carbon dioxide benefit. The

Requesters may use adjustment factors other than those proposed by the developer’s emissions reduction estimates.

Term of Carbon Dioxide Emissions Benefits: Carbon Dioxide Emissions Benefits will be evaluated over the period of time for which The Requesters receives rights to this benefit. This period of time must be equal to or less than the anticipated life of a project.

Units of measurement: All CO2 emissions reduction figures are to be presented in metric tons of CO2. See Appendix A for conversion factors to be used. Proposals must justify any variation from these figures. The Requesters reserves the right to apply its own conversion factors for the purpose of proposal evaluation. For Seattle, for projects involving other greenhouse gases, use the 100-year Global Warming Potentials provided by the International Panel on Climate Change.

Monitoring and verification: Proposals must include a monitoring and verification plan. The purpose of this plan is to define how the carbon dioxide benefit will be quantified. The quality of the proposed monitoring and verification plans is a component of project evaluation. The cost of monitoring and verification should be included in the project cost bid to The Requesters and specified in the project budget. Monitoring and verification are the responsibility of the proposer, not The Requesters. The use of third party verification is preferred. Please describe 1) procedures to be employed, 2) how the ongoing monitoring and verification will be funded, 3) the time frame and frequency over which the monitoring and verification will occur, and 4) whether a third party has been identified to audit and confirm the source data used to quantify the benefit, and if so, whether the party is under contract.